

# ***Chapter 1***

## ***Introduction***

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WSDOT uses the services of consultants to assist in program delivery. An area that often raises questions for people in the consultant community, and management within the Washington State Department of Transportation (WSDOT), is the area of AUDIT.

Communication of rules, regulations, policy, and procedures can assist individuals in understanding the role of an organization. Providing information relating to audit issues is the primary purpose of this document.

### **About This Manual**

This manual is intended to be a basic primer for understanding the WSDOT external audit process. To the extent possible, accounting and auditing theory will not be discussed. Numerous books are available which the reader can obtain to learn about those two subjects.

### **Success and Words of Wisdom**

Success can be measured in a number of ways. For the WSDOT Audit Office, success may be measured by the impact this manual will have on the readers.

While we cannot say that a firm will be always be successful in dealing with and understanding audit groups, we offer these words:

- Record business income and expenditures in a hand-posted or computerized accounting system.
- Keep time sheets, original invoices, rental agreements, and all source (original) documentation used as a basis for any billing to WSDOT.
- Read and understand the agreement entered into with WSDOT and the implications of the method of payment identified in the agreement and the federal and state criteria cited in the agreement.
- Just because an item of cost is an acceptable business expense by the Internal Revenue Service, doesn't mean it is allowable for reimbursement purposes. For instance, the IRS rate for vehicle mileage is usually higher than the rate allowed by the Federal Acquisition Regulation System (FARS).
- WSDOT uses FARS as a primary basis for determining the allowability, allocability, and reasonableness of incurred costs.

**Note:** By definition, a WSDOT auditor cannot tell an organization how to compile information, or in what specific format. In other words, WSDOT cannot create or establish a firm's accounting system. In theory and practice, the auditors are an objective third party, conducting audits of agreements or contracts entered into between WSDOT management, and public or private organizations.

The information contained in this guide is based on the knowledge and experience of the auditors, the most often asked questions by someone being audited, and the observations of the auditors made while conducting their work.

Included in this guide are examples of schedules, time sheets, ledger sheets, and other accounting type records or documents. These examples are for discussion purposes only. The use of the same format or type of document does not guarantee the acceptance or eligibility of costs.

The following is a summary of topical areas included in this guide.

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